

**CHENEY SCHOOL DISTRICT NO. 360**  
**Spokane County, Washington**  
**September 1, 1993 Through August 31, 1994**

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**Schedule Of Findings**

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1. Internal Controls Should Be Strengthened For Associated Student Body Cash Receipting And Disbursing

The following internal control weaknesses were noted in our review of Associated Student Body (ASB) cash receipting and disbursing:

- a. Receipts are not issued at the elementary schools for moneys received.
- b. The middle school ASB governing body does not approve all ASB disbursements.
- c. Some ASB checks are being issued without student officer approval.
- d. Scholarship funds generated or received at the high school were not maintained in the correct set of accounts.
- e. Payment for breakfast for the middle school athletic director and coaches were made without the required support.
- f. Inventory and receipting at high school concessions and the middle school snack bar is inadequate.
- g. There is inadequate separation of duties over the accounting and reporting of cash at each of the schools.
- h. Petty cash funds for the making of change were created at the middle school and high school without the board of directors' approval.

Section III-G-1 of the *Accounting Manual for Public School Districts in the State of Washington* states in part:

An internal control system . . . (should) ensure that resource use is consistent with law, regulation, and policy; that resources are guarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

We recommend that district officials strengthen the internal controls over ASB cash receipting and disbursements.

2. District Should Adopt And Enforce Policy Prohibiting Personal Use Of Cellular Phones

The district has no formal policy concerning cellular phone use. We found that the users of the district's cellular phone had made personal phone calls.

The Washington State Constitution, Article VIII, Section 7 states in part:

No . . . municipal corporation shall hereafter give any money . . . in aid of any individual . . . except for the necessary support of the poor and infirm . . .

We recommend the district adopt and enforce a policy prohibiting personal use of cellular phones.

3. District Should Enforce Food And Beverage Consumption Policy

The district's food and beverage consumption policy states in part:

Under circumstances where the district is deriving benefit from those conducting business of the district, payment may be made for those persons' food and beverages. Reasonable provisions for such payment include submission of a statement to the business office showing:

1. Names of persons, or names of the group of persons, whose food and/or beverages were purchased by the district;
2. Relationship of those persons, or that group of persons, to business that was being conducted for or on behalf of the district;
3. The nature of the expenses incurred; and
4. The general nature of the business that was being conducted

Documentation for food and beverage purchases did not meet the requirements of the district policy.

Without this documentation, it cannot be determined if the district received any benefit from its food and beverage purchases.

We recommend the district enforce its food and beverage consumption policy.

4. The District Should Correctly Use Imprest Bank Account

The district uses its \$25,000 imprest bank account for improper purposes. The district pays all staff training registration fees and reimbursement of other petty cash funds through this account, whether they need to be paid immediately or not. Significant purchases of supplies, postage, office equipment, and travel expenses were also made through this account.

Section III-G-4 of the *Accounting Manual for Public School Districts in the State of Washington* states in part:

Imprest bank accounts are . . . set aside . . . for minor disbursements . . .  
or similar uses requiring immediate action . . . .

This results in the board of directors not being able to approve all significant purchases prior to disbursement.

District officials were not aware of the restrictions on the use of imprest bank accounts.

We recommend the district properly use its imprest bank account.

5. The District Should Report Staff Mix Correctly And Maintain Adequate Documentation To Support The Reports

Our audit of the Legislative Evaluation and Accountability Placement (LEAP) for certificated personnel disclosed occurrences of incorrect reporting. In the majority of files we reviewed, employment verifications were not obtained for all years of experience, nor were years of experience always correctly calculated.

To ensure that amounts reported are accurate WAC 392-121-280 requires in part:

School districts shall have documentation on file and available for review which substantiates each certificated employee's placement on LEAP Document 1 . . .

Districts shall document years of experience that are eligible for application on the statewide salary allocation schedule on LEAP Document 1. Documentation for years of experience shall be on letters or any other document that provides evidence of employment including dates of employment.

These errors occurred because district personnel did not adequately verify the employee files or review the accuracy of information reported to the Superintendent of Public Instruction (SPI). Verification of years of experience was difficult because the calculation was not documented.

When the district submits erroneous staff mix reports to SPI, the district's apportionment may be incorrect.

We recommend that the district review certificated employee personnel files and obtain any needed documentation to verify and support years of experience as reported to SPI.

6. District Provides Benefits To Private Sports Camps

The district provides benefits to basketball, cheerleader, and other sports camps put on at the high school during the summer. These camps are privately operated by district employees. We noted the following:

- a. Gym rental of \$20 per hour is frequently waived for services in-lieu-of payment.
- b. The district provided addresses of students.
- c. The district's name appeared as the return address on brochures printed for the camps.
- d. The district was reimbursed at lower (nonprofit) postal rates for the mailing of the brochures than the postal rates available to the camps.

The Washington State Constitution, Article VII, Section 7, states in part:

No . . . municipal corporation shall hereafter give any money, or property . . . or credit . . . in aid of any individual, association, company or corporation, except for the necessary support for the poor and infirm . . . .

RCW 42.28.127 - Use of persons, money or property for private gain states:

No state employee may employ or use any person, money or property under the employee's official control or direction, or in his or her official custody, for the private benefit or gain of the employee or another.

The district violates state law when it provides benefits to these private sports camps.

District officials had put some controls in place to prevent benefit from district resources but had not considered the conditions noted above.

We recommend the district cease providing benefits to the private sports camps.

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**Schedule Of Federal Findings**

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1. Payroll Charges To Federal Programs Should Comply With Federal Regulations

Payroll expenditures for the Department of Education ESSIA Chapter 1 program (CFDA 84.010) do not comply with federal regulations. Charges are processed through the district's payroll system using a predetermined rate. We noted the following:

- a. Three elementary schools did not have records documenting the actual employee time used for the Chapter 1 program for the month we tested (May 1994).
- b. The district does not have procedures in effect to compare actual time to time charged. For one employee, we noted actual time was 10 percent less than the time charged.
- c. Some of the records for actual time were not certified by someone having knowledge of the actual time employees spent on the Chapter 1 program.

The U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles Applicable to State and Local Governments*, establishes standards for documentation and allowability of costs charged to federal grant programs. Among these standards are:

- a. Amounts charged to grant programs for personal services will be based on payrolls supported by time and attendance or equivalent records for individual employees.
- b. Salaries and wages of employees chargeable to more than one grant program or other cost objective must be supported by appropriate time distribution records.

Without a payroll system that meets the federal requirements, the district cannot assure that payroll costs charged to the Chapter 1 program are for services provided to the program.

We recommend the district implement a time reporting system that meets the requirements of OMB Circular A-87 for the charging of payroll cost all federal programs that are charged through the payroll.

2. Charges Should Be In Compliance With Chapter 1 Requirements

The following charges did not meet the spending requirements of the Chapter 1 program (CFDA 84.010):

- a. Purchase of safety vests for traffic crossing guards at one elementary school, cost of \$62.10.
- b. A portion of the cost of carpet for the district office. The charge was \$2,317.17.

The U.S. Office of Management and Budget (OMB) *Compliance Supplement for Single Audits of State and Local Governments* states:

An LEA may use Chapter 1 funds only for programs and projects . . . to meet the special educational needs of educationally deprived children . . . are included in an application approved by the SEA, and comply with all Chapter 1 requirements.

The district failed to properly review the above charges for allowability. The district could not demonstrate that these charges benefitted the approved Chapter 1 programs and projects.

Without proper review of Chapter 1 charges the district cannot assure that they are allowable costs.

We recommend the district implement procedures to ensure only allowable costs are charged to the Chapter 1 program.